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IN THE

Supreme Court of the United States

October Term, 1942

No.

PAPER CONTAINER MFG. COMPANY,
Petitioner,

vs.

DIXIE-VORTEX COMPANY,
Respondent.

PETITION OF PAPER CONTAINER MFG. COMPANY FOR A WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Paper Container Mfg. Company, respectfully prays for a writ of certiorari to the Circuit Court of Appeals for the Seventh Circuit to review the judgment of that Court entered on the 10th day of August, 1942 (petition for rehearing denied September 16, 1942). A transcript of the record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with the rules of this Court.

Summary and Short Statement of the Matter Involved.

1. Respondent, Dixie-Vortex Company, is the largest paper cup manufacturer in the United States.

2. Petitioner, Paper Container Mfg. Company, is a relatively small competitor of respondent in this field.

3. The importance of paper cups to the public has long been recognized because of their sanitary feature.

4. For the obvious purpose of driving petitioner out of the field because of the enormous cost that would be involved in defending itself, respondent, on February 11, 1939, filed the complaint in this cause charging petitioner with infringement of eleven patents,[1] later increased by three additional patents in a supplemental complaint,[2] thereby facing petitioner with the enormous expense incident to the extensive investigation necessary to answer and prepare defenses to a suit charging infringement of fourteen patents.

5. After petitioner had borne such expense, and had prepared its defenses to all fourteen patents, respondent withdrew ten of the patents from suit.

6. The trial was had on four patents.

7. The case emerged from the Circuit Court of Appeals with only one patent (Smith and Bild No. 2,203,510) sustained as valid, and infringed as to four of the seven claims thereof involved.[3] The present petition is concerned only with that one patent.

8. The Circuit Court of Appeals sustained the Smith and Bild patent as valid, not because it found invention dis-

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[1] Vol. I, p. 2.
[2] Vol. I, p. 85.
[3] Vol. IV, p. 1800.

closed thereby, or that the patent had validly been granted, but solely because it concluded that petitioner was estopped to attack the validity of the patent.[4] For this reason the Court refused to pass on the dispositive defenses of invalidity which were advanced by petitioner.

9. The material chronological facts with respect to the Smith and Bild patent from which the Circuit Court of Appeals spelled estoppel are as follows:

(a) On November 6, 1933, Mr. Leo Hulseman was president, managing director and a minority stockholder of a concern known as Paper Cup Corporation. On that day that corporation entered into an agreement with the inventors, Smith and Bild, whereby the corporation acquired exclusive rights under their invention for which an application for patent subsequently was to be filed and assigned to the corporation.[5] This agreement, cancelled a previous agreement between Hulseman and the inventors, under which Hulseman was vested with the exclusive right to use (but not to make or sell) a cup making machine to be built for him by Smith and Bild.[6]

(b) On December 13, 1934, Smith and Bild filed their application for patent, which, thereafter, was assigned to the Paper Cup Corporation.

(c) The application was directed to a machine for making paper cups. In general, the machine is one wherein cups are fabricated from a continuous strip of paper which is passed under a cutting knife so that uniform portions thereof (called blanks) are

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[4] Vol. IV, p. 1816.
[5] Vol. II, p. 508.
[6] Vol. II, p. 503.

successively cut therefrom, and are then formed into cups. The only feature of this machine with which we are here concerned is that during each cutting operation of the knife *the leading edge of the paper is held stationary.*[7] Consequently, the signal feature in the machine of the Smith and Bild application was an *intermittent* movement of the paper at that position, as distinguished from a *continuous* movement. *The Smith and Bild application made no disclosure of any kind or nature of a continuous movement of the paper at the cutting position.*

(d) The patent solicitor for Paper Cup Corporation, in the effort to obtain a broad scope for the claims of the Smith and Bild application, and to dominate, if possible, a *continuous* paper feeding machine (realizing even then the desirability of such a feature if it could be devised) presented a claim in the application which was specifically directed to the feature of feeding the paper *continuously.*[8] The Patent Office rejected this claim on the ground that the "continuous" feature was not disclosed by the application.[9] *This rejection was acquiesced in, and the claim was cancelled.*[10] No claim directed to this "continuous" feature was thereafter asserted in the application while the prosecution thereof was controlled by Paper Cup Corporation.

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[7] This was expressed in the specification of the application as filed (and in the patent as issued) in the following language (*e. g.*, Vol. III, p. 806, l. 66):

> "At the instant the cutting blade 68 engages the paper, the presser plate 73 likewise engages it, *holding that portion of the paper adjacent to the line of cut momentarily stationary.*"

[8] Claim 2, Vol. IV, p. 1666.

[9] Vol. IV, p. 1684.

[10] Vol. IV, p. 1685.

(e) On September 19, 1935, by some arrangement or agreement (as to which the record is entirely silent) the patent solicitor for respondent was given a power of attorney and took over the further prosecution of the Smith and Bild application in behalf of respondent.[11]

(f) In January, 1936, Mr. Hulseman severed his connection with the Paper Cup Corporation.[12]

(g) On April 9, 1936, the patent solicitor for *respondent* re-inserted claims in the Smith and Bild application directed to the feature of "continuous" paper feed despite the fact that the application disclosed no such thing.[13]

(h) In April, 1936, Mr. Hulseman organized petitioner corporation, with which he became associated as its president, managing director and the majority stockholder. Petitioner corporation engaged in the manufacture of paper cups in competition with respondent, employing a machine, the principal feature of which, in so far as we are here concerned with it, was that it employed a *continuous* movement of the paper past the cutting knife,[14] as distinguished from the *intermittent* movement thereof disclosed by the Smith and Bild application.[15]

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[11] Vol. IV, p. 1695; Vol. 1, pp. 289-300.
[12] Vol. I, pp. 123, 141, 151.
[13] Vol. IV, p. 1699.
[14] Vol. II, pp. 539, 563, 564.
[15] Petitioner's machine employs a spiral rotary knife, which thereby obviates the necessity of *intermittently* halting the paper strip at its cutting position in the machine. This enables the production of completed cups at the rate of 240 per minute (Vol. I, p. 146) as against from 90 to 100 per minute obtained in the *intermittent* machine —*an average increase of 200%*.

(i) The present suit on the first eleven patents was instituted on February 11, 1939.

(j) On June 7, 1939, after the institution of the present suit—and approximately 3½ years after Mr. Hulseman had severed his connection with the Paper Cup Corporation—the Smith and Bild application was assigned by that corporation to respondent.[16]

(k) On June 4, 1940 the Smith and Bild patent issued with claims therein directed to the feature of *continuously* advancing the paper—the precise feature of petitioner's machine which the Patent Office had held was not disclosed in the Smith and Bild application as filed, and which thereafter had been re-inserted in the application by respondent's attorney, in respondent's behalf, long after Mr. Hulseman had severed his connection with the Paper Cup Corporation.

(l) On September 12, 1940 the Smith and Bild patent was included in the present case by supplemental complaint.

(m) The Court of Appeals held that the "essential improvement" of the Smith and Bild patent had to do with the "*continuous* feeding or advance of a strip of paper" through a machine which would "successively sever cup blanks from the *continuously moving strip of paper*" [17]—the very feature which the Patent Office had held was *not* disclosed in the Smith and Bild application, and no claim for which, for that reason, was in the Smith and Bild application at the time respondent acquired the control of the prosecution thereof.

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[16] Vol. II, p. 536.
[17] Vol. IV, p. 1816.

10. It will be seen, in the light of the foregoing facts of the case, that the Court of Appeals held that petitioner was estopped to attack the validity of the Smith and Bild patent because Mr. Hulseman, who is the president, managing director and the majority stockholder of petitioner, years ago was the president, managing director and a *minority* stockholder of Paper Cup Corporation which owned the application for the patent, and which corporation, *three and one-half years after Mr. Hulseman had severed his connection with it*, assigned the application to respondent. And this despite the fact that the invention of the patent has been found by the Court of Appeals to comprise the very feature which the Patent Office had held was not disclosed by the application, and as to which feature no claim was or properly could have been present in the application at the time Mr. Hulseman severed his connection with Paper Cup Corporation.

11. Because the Court of Appeals has completely ignored the public interest involved in the adjudication of patent monopolies as valid, and has established a doctrine, which, if carried to its logical limits, would effectively form a means by which adjudication of validity could and undoubtedly would be obtained—to the detriment of the public right—for obviously invalid patents, this petition is presented.

Questions Presented.

On the foregoing statement of the facts of the case, the following questions are presented.

(1) In the light of the public interest, is there or should there be a dogmatic and inflexible rule of estoppel, which, despite all relevant facts and surrounding circumstances, forever prevents one from attacking the

validity of a patent because at one time, and for a short period of time, long prior to the acquisition of the patent by the one asserting it, he owned the title to the application for the patent?

(2) Is the Court relieved of its duty to the public to invalidate a patent, the invalidity of which is made manifest, merely because the defendant in the case attacking the patent's validity at one time owned the *application* for patent, prior to its issuance, and the one who is asserting the patent that issued thereon completely altered the claim of invention after acquisition of the application?

(3) If there is or should be such a dogmatic doctrine of estoppel, should it be applied, as it here has been applied, against a corporation because it was organized, managed, and the majority of its stock was owned by an individual who previously had been an officer, managing director and a *minority* stockholder of the corporate assignor, but had severed his connection with the corporate assignor three and one-half years prior to the assignment?

Reasons Relied Upon for a Grant of a Writ of Certiorari.

The discretionary power of this Court is invoked upon the following grounds:

1. The Court of Appeals for the Seventh Circuit, by its decision in this case has misconceived the true nature of public policy as to patents, and has unduly limited the function of the Federal Courts in carrying out that policy, and has thus decided an important question of Federal law in a way that is in obvious conflict with applicable decisions of this Court.

2. The Court of Appeals for the Seventh Circuit, in deciding that the owner of an application for patent is estopped to attack the validity of claims in the patent issued thereon, which claims are different in substance from those in the application at the time it was acquired by the one asserting the patent, has decided an important Federal question in a manner which is in direct conflict with the decisions of the Sixth Circuit Court of Appeals in *Westinghouse* v. *Formica*, 288 Fed. 330, and of the United States District Court for the Eastern District of New York in *Vogt Instant Freezers* v. *New York Eskimo Pie Corp.*, 59 F. (2d) 99.

3. The Court of Appeals for the Seventh Circuit, in deciding that one is prevented from attacking the validity of a patent because he owned the title thereto at one time, and for a short period of time, long prior to the acquisition of the patent by the one asserting it, has decided an important question of Federal law in a manner which is in derogation of the public interest and contrary to public policy.

4. The Court of Appeals for the Seventh Circuit, in holding that the doctrine of estoppel is applicable to petitioner merely because its president, managing director and majority stockholder, at one time was the president, managing director and a *minority* stockholder of another corporation which owned the patent rights here asserted, and which assigned said patent rights to respondent 3½ years after the individual had severed his connections therewith, has extended the doctrine of equitable estoppel to a wholly illogical extreme which will have the inevitable effect of increasing the instances where Federal Courts will believe themselves deprived of the power or relieved of the public duty of passing upon the validity of asserted patent monopolies. The importance of this question, from the viewpoint

of public policy, requires the prompt scrutiny and sanction of this Court before it is allowed to become established as a precedent.

WHEREFORE your petitioner respectfully prays that a writ of certiorari issue out of and under the seal of this Court, directed to the United States Court of Appeals for the Seventh Judicial Circuit, commanding said Court to certify and send to this Court, on a date to be designated, a full transcript of the record and full proceedings had in this case, to the end that this case may be reviewed and determined by this Court as to the questions presented hereby, as well as to the questions of validity of the patent involved, and the infringement thereof, and that the judgment of the Court of Appeals be reversed in so far as it found validity for the Smith and Bild Patent No. 2,203,510, and infringement thereof; and that petitioner may be granted such other and further relief as may seem proper.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Petitioner.

F. ALLAN MINNE,
Of Counsel.

Dated: New York, New York,
October 28, 1942.